

The following items will be discussed at the meeting of the Standing Committee on Finance and Operations to be held on Tuesday, May 23, 2017 6:15 p.m. in Room 410 at the Durkin Administration Building:

gb #6-294 - Administration (August 22, 2016)

To review the status of the FY17 Budget and make appropriate transfers as required.

gb #6-368 - Miss Biancheria/Mr. O'Connell/Ms. Colorio/Mr. Monfredo (October 20, 2016)

Request that the Administration provide an update on the progress made regarding neighborhood issues relative to driveways, grounds and wall repair at Lake View School.

gb #7-76.1 - Administration/Mayor Petty/Mr. Foley/Mr. O'Connell/Ms. Colorio/Miss Biancheria/Mr. Monfredo/Miss McCullough (March 6, 2017)

Request that the Superintendent consider the feasibility of establishing boys and girls soccer teams at Claremont Academy and University Park Campus School.

gb #7-122 - Administration (March 20, 2017)

To review the reports on compliance and internal controls for the City of Worcester, including the Worcester Public Schools, from the Certified Public Accounting firm of CliftonLarsenAllen, LLP for the year ended June 30, 2016 which include the GAO and OMB A-133 Reports and the Management Letter and the Independent Accountants' Report on Applying Agreed Upon Procedures for the Department of Elementary and Secondary Education End of Year Financial Report for fiscal year 2016, prepared by Robert C. Alario, CPA, P.C.

ITEM: gb #6-294

STANDING COMMITTEE: **FINANCE AND OPERATIONS**

DATE OF MEETING: Tuesday, May 23, 2017

ITEM: Administration (August 22, 2016)

To review the status of the FY17 Budget and make appropriate transfers as required.

PRIOR ACTION:

- 9-1-16 - Referred to the Standing Committee on Finance and Operations.
- 12-12-16 - The members discussed the status of Salary and Ordinary Maintenance accounts for the first quarter report and held the item.
- 4-4-17 - **STANDING COMMITTEE ON FINANCE AND OPERATIONS**
Mr. Allen provided an update on the FY17 Budget Second Quarter Report and requested that another meeting be set up within the next month in order to review the third quarter projections.
(Continued on page 2.)

BACKUP:

- Annex A (2 pages) contains a copy of the FY17 Budget Status Third Quarter Report.
- Annex B (1 page) contains a copy of the FY17 Budget Account Summary Third Quarter Report.
- Annex C (1 page) contains a copy of the Administration's response to the motion to provide a report on the trends in Workers' Compensation cases and indicate what steps should be taken to address this issue.

PRIOR ACTION (continued)

4-4-17 - (continued) The Standing Committee members and the Administration went on record acknowledging the support by the City Manager, Mayor and School Committee for the FY17 Budget.

Mr. Allen announced that half of the funds needed for summer school programming became available in Title I, through SES.

Mr. Foley made the following motions:

Request that the Administration provide a report to the Standing Committee on Finance and Operations on the trends in Workers' Compensation cases and indicate what steps should be taken to address this issue.

Request that the Administration interact with the Brockton Public Schools and other districts that have pending legal action relative to the Foundation Budget Review Commission Report on the inequities in funding education and request that the Administration provide a report to the full Committee soon on the status of this legal action.

On a voice vote, the motions were approved.

4-6-17 - SCHOOL COMMITTEE MEETING - The School Committee approved the action of the Standing as amended.

The Standing Committee members and the Administration went on record acknowledging the support by the City Manager, Mayor and School Committee for the FY17 Budget.

Mr. Allen announced that half of the funds needed for summer school programming became available in Title I, through SES.

Mr. Foley made the following motions:

Request that the Administration provide a report to the Standing Committee on Finance and Operations on the trends in Workers' Compensation cases and indicate what steps should be taken to address this issue.

Request that the Administration interact with the Brockton Public Schools and other districts that have pending legal action relative to the Foundation Budget Review Commission Report on the inequities in funding education and request that the Administration provide a report to the full Committee soon on the status of this legal action.

On a voice vote, the motions were approved.

It was moved to approve the following transfer of funds:

Amount	From Account	Account Title	To Account	Account Title
\$300,000	500-91119	Custodial Salaries	500-97203	Custodial Overtime
\$50,000	540-91117	Transportation Salaries	540-97201	Transportation Overtime
\$308,000	500-92204	Instructional Materials	500-91115	Instructional Assistant Salaries

On a roll call of 6-0-1 (absent-Mayor Petty), the motion was approved.

PRIOR ACTION (continued)

**FY17
 BUDGET STATUS
 Third Quarter Report**

The status of all Salary and Ordinary Maintenance accounts as of March 31, 2017 is shown on Annex B. Presented for each account is the amount budgeted for the current fiscal year, the amount expended and committed as of March 31st, and the projected balance at the closing on June 30, 2017. Salary and Ordinary Maintenance Account totals are:

<u>Budget Title</u>	<u>Budget Amount</u>	<u>Expended</u> <u>03/31/17</u>	<u>Projected Balance</u> <u>06/30/17</u>
Salaries	\$208,803,372	\$128,417,913	\$286,600
Ordinary Maintenance	<u>\$114,162,432</u>	<u>\$91,074,589</u>	<u>-\$291,724</u>
Total General Fund	\$322,965,803	\$219,492,502	-\$5,124

At this point in the fiscal year, a total of \$219,492,502 (68%) has been expended or committed. A description of the projected balances is as follows:

Budget Impacts:

Instructional Assistants (-\$588,034): Due to the elimination of the Quality Kindergarten, the general fund was re-allocated to include funding for 21 full-time equivalent. Replacement positions, salaries and contractual payments are included in this projected balances.

Special Education Tuition (-\$695,909): The tuition account reflects updated estimated tuition payments through the end of this year based on student fiscal responsibility and approved tuition rate increases for residential placements. This account also represents the processing of several necessary prior year payments, as well as an increase of new student placements for the current fiscal year.

Workers Compensation (-\$291,353): The current deficit is based on actual expenditures, as well as projections through the end of the year. The weekly salary cost have been consistently higher and include approximately thirty-five current staff collecting weekly benefits. Also, several settlements have been processed during this fiscal year.

Transportation (-\$281,756): Due to the current condition of the district’s fleet, the district needed to add one special education route using third party services. These additional routes are anticipated through the end of the school year. This account also represents an increase for the vehicles utilized for the special education Transitions program. The School Committee authorized the Administration to enter into lease agreements for special education vehicles to reflect the need to expedite the renewal of the existing fleet. The district has developed contracts for the lease of 10 buses at the start of next school year. This account also represents the addition of two mid-day routes through the end of the school year.

Accounts with Projected Balances to Offset Deficit Accounts:

Instructional Materials (\$278,892): The balance in this account is for the charter school assessment increase typically utilized to address a reduction of the budget at the time the City does the tax recap process. The City Manager has held the district harmless of any reduction of the city’s required contribution. Those funds remained with the district to partially cover the cost of the district’s Instructional Assistants due to the elimination of the Quality Kindergarten grant and a portion has already been transferred. The current projected year ending balance includes the additional instructional material per pupil allocation of \$10 per student that has been frozen for this school year.

Educational Support (\$379,087): The projected balance of this account is due to the reallocation of several ESL tutor positions. During the summer, several of these positions were reallocated to teacher or instructional assistant positions.

Utilities (\$350,833): Due to the addition of several solar projects and the summer conditions, electricity usage through September was much lower than anticipated. Also, the winter season was much milder and therefore the district’s usage was much lower than anticipated. This projected saving for natural gas is approximately \$250,000.

Personal Services (\$298,408): The special education department has continued with the restructure of specialized services for our special education students in order to increase internal capacity. During the summer, the district eliminated the use of third party vendors to provide better instructional support to our students. These funds (\$400,000) were reallocated to both instructional technology, as well as salary accounts. The district was able to utilize available capital funds to purchase the instructional technology. However, this account includes an increase to the district’s legal consultation (-\$70,000), translation service line items (-\$250,000), security guard contracted rates (-\$30,000) and nursing services contract rates (-\$100,000).

Crossing Guards (\$80,070): The projected amount is based on vacant positions through the end of March. The district has struggled to fill vacant crossing guard positions and continues to search for successful candidates to work directly with the schools for both mornings and afternoons.

The Administration recommends the following transfer of funds at this time.

<u>Amount</u>	<u>From Account</u>	<u>To Account</u>	<u>Account Title</u>
\$300,000	500-91134	500132-92000	Special Education Tuition

**WORCESTER PUBLIC SCHOOLS
 2016-2017 BUDGET
 ACCOUNT SUMMARY
 THIRD QUARTER REPORT**

<u>Account</u>	<u>Account Title</u>	<u>Adopted</u>	<u>Transfers</u>	<u>Budget</u>	<u>Expended</u>	<u>Projected</u>
500-91110	Administration Salaries	\$12,130,258		\$12,130,258	\$9,106,909	\$64,924
500-91111	Teacher Salaries	\$156,412,847		\$156,412,847	\$91,567,967	\$73,602
500-91112	School Committee Salaries	\$89,445		\$89,445	\$56,208	\$14,501
500-91114	Day by Day Substitutes Salaries	\$871,200		\$871,200	\$680,000	-\$137,239
500-91115	Instructional Assistants Salaries	\$9,621,974	\$378,000	\$9,999,974	\$6,312,533	-\$588,034
500-91116	Coach Salaries	\$524,427		\$524,427	\$365,858	\$7,485
540-91117	Transportation Salaries	\$2,564,061	-\$50,000	\$2,514,061	\$1,718,226	\$83,090
500-91118	Supplemental Program Salaries	\$1,371,001		\$1,371,001	\$1,063,510	-\$20,879
500-91119	Custodial Salaries	\$6,668,155	-\$300,000	\$6,368,155	\$4,806,229	\$1,953
500-91120	Maintenance Service Salaries	\$2,060,730		\$2,060,730	\$1,294,881	\$288,378
500-91121	Administrative Clerical Salaries	\$3,065,868		\$3,065,868	\$2,387,146	\$19,612
500-91122	School Clerical Salaries	\$2,066,749		\$2,066,749	\$1,345,160	\$94,035
500-91123	Non Instructional Salaries	\$2,202,195		\$2,202,195	\$1,973,739	\$23,515
540-91124	Crossing Guard Salaries	\$543,346		\$543,346	\$318,936	\$80,070
500-91133	School Nurse Salaries	\$4,043,775		\$4,043,775	\$2,422,591	-\$18,849
500-91134	Educational Support Salaries	\$2,449,106		\$2,449,106	\$1,440,168	\$379,087
540-97201	Transportation Overtime Salaries	\$473,736	\$50,000	\$523,736	\$327,762	\$18,077
500-97203	Custodial Overtime Salaries	\$1,046,865	\$300,000	\$1,346,865	\$1,025,179	-\$55,090
500-97204	Maintenance Overtime Salaries	\$150,797		\$150,797	\$140,257	-\$37,457
500-97205	Support Overtime Salaries	\$68,837		\$68,837	\$64,654	-\$4,181
	Salary Total	\$208,425,372	\$378,000	\$208,803,372	\$128,417,913	\$286,600
500101-96000	Retirement	\$16,751,681		\$16,751,681	\$16,725,266	\$29,702
540103-92000	Transportation	\$14,389,893		\$14,389,893	\$14,001,102	-\$281,756
500105-92000	Out-of-State Travel	\$5,000		\$5,000	\$0	\$5,000
500122-92000	Athletic Ordinary Maintenance	\$92,820		\$92,820	\$340,289	\$0
500123-96000	Health Insurance	\$44,806,753		\$44,806,753	\$23,512,674	\$79,585
500125-92000	Other Insurance Programs	\$53,491		\$53,491	\$55,743	-\$2,252
500129-96000	Workers Compensation	\$1,352,305		\$1,352,305	\$1,277,468	-\$291,353
500130-92000	Personal Services	\$2,932,305		\$2,932,305	\$2,283,291	\$298,408
500132-92000	Special Education Tuition	\$17,451,366		\$17,451,366	\$18,018,100	-\$695,909
500133-92000	Printing & Postage	\$224,595		\$224,595	\$224,819	-\$41,695
500-92204	Instructional Materials	\$3,243,810	-\$308,000	\$2,935,810	\$2,142,368	\$278,892
500136-92000	Miscellaneous Educational OM	\$3,109,542		\$3,109,542	\$2,909,271	-\$15,716
500137-96000	Unemployment Compensation	\$318,226		\$318,226	\$276,794	-\$80,480
500138-92000	In-State Travel	\$81,000		\$81,000	\$35,584	\$23,555
500141-92000	Vehicle Maintenance	\$505,601		\$505,601	\$395,800	\$56,843
500146-92000	Building Utilities	\$6,456,119		\$6,456,119	\$6,436,477	\$350,833
500152-92000	Facilities Ordinary Maintenance	\$2,695,925		\$2,695,925	\$2,439,544	-\$5,382
	Non Salary Total	\$114,470,432	-\$308,000	\$114,162,432	\$91,074,589	-\$291,724
	Total General Fund Budget	\$322,895,803	\$70,000	\$322,965,803	\$219,492,502	-\$5,124

Workers Compensation Account

The following is the last three years of expenditures for the Workers Compensation (500129) Account. The year-to date information is through March 31, 2017.

By Detail	FY14	FY15	FY16	FY17 YTD
Salaries	\$922,318	\$1,046,355	\$1,067,301	\$888,215
Medical Bills	\$565,020	\$517,314	\$371,597	\$312,042
Management & Cost Containment	\$22,834	\$57,087	\$137,518	\$109,136
Final Settlements	\$55,000	\$53,725	\$247,000	\$68,000
Total	\$1,565,171	\$1,674,481	\$1,823,417	\$1,377,393

By Employee Group	FY14	FY15	FY16	FY17 YTD
Facilities	\$519,187	\$545,096	\$626,381	\$594,264
Teachers	\$491,410	\$551,321	\$376,697	\$277,971
Systemwide	\$228,806	\$233,606	\$254,429	\$177,997
Transportation	\$49,927	\$62,685	\$71,772	\$170,769
Inactive	\$275,841	\$281,773	\$247,138	\$156,391
Total	\$1,565,171	\$1,674,481	\$1,823,417	\$1,377,393

Total FTE Salaries Paid	FY14	FY15	FY16	FY17 YTD
General Fund	53	55	55	57

STANDING COMMITTEE: **FINANCE AND OPERATIONS**

DATE OF MEETING: Tuesday, May 23, 2017

ITEM: Miss Biancheria/Mr. O'Connell/Ms. Colorio/Mr. Monfredo
(October 20, 2016)

Request that the Administration provide an update on the progress made regarding neighborhood issues relative to driveways, grounds and wall repair at Lake View School.

PRIOR ACTION:

- 11-3-16 - Referred to the Standing Committee on Finance and Operations. Miss Biancheria indicated that this topic has been discussed many times but nothing has happened during the past year to resolve the issue.
- Mr. Allen responded that the Administration has engaged an engineer to provide a report and there is also an active item on the agenda of the Standing Committee on Finance and Operations. It is part of a list of all deferred capital projects in the district. Since the system is currently involved in MSBA accelerated repair projects, many of the other projects have been deferred. He further indicated that he would provide at the meeting of the Standing Committee the engineering work that has been completed at the Lake View School with more detailed information regarding the walls.
- Miss Biancheria responded that it was just not a problem with the wall but problems also with the driveway, grounds and landscaping that was in question.
- Mr. Allen indicated that there are 2 retaining walls, one on the Lake View side and one on the Coburn Ave. side. The one on the Lake View side has been repaired and painted and the Administration has also done repairs on the wall that abuts the school property and the house. It has been determined that the cause of the failing of the older wall is a tree which is actually on the homeowner's property not the WPS property.

BACKUP:

Annex A (1 page) contains a copy of the Building Renovation and Repair Project List.

BUILDING RENOVATION & REPAIR PROJECT LIST

<u>Description</u>	<u>Location</u>	<u>Estimated Cost</u>	<u>Description</u>	<u>Location</u>	<u>Estimated Cost</u>
2017-2018 Projects			2020-2021 Projects		
Paint Interior of School	Goddard Elem.	\$300,000	Rehab/replace modulares	Chandler Elementary	\$400,000
Compressor Replacements (4)	Technical High	\$250,000	Rehab/replace modulares	Heard Street	\$400,000
Replace Cooling Towers	Durkin Administration	\$250,000	Rehab/replace modulares	Lincoln Street	\$400,000
Paint Interior of School	Canterbury St	\$200,000	Rehab/replace modulares	Mill Swan Head Start	\$400,000
Hot Water Heater	Technical High	\$200,000	Rehab/replace modulares	Rice Square	\$400,000
Replace existing hot water heaters	North High	\$150,000	Total 2020-2021 Projects		\$2,000,000
Ceiling Replacements	Grafton Street	\$150,000			
Ceiling Replacements	Midland Street	\$120,000	2021-2022 Projects		
Rooftop Unit (RTU) repairs	Technical High	\$100,000	Parking Lot - Playground	Woodland Academy	\$400,000
Rooftop Unit (RTU) repairs	Gates Lane	\$100,000	Repair Parking Lots	Various	\$300,000
Repair Parking Lots	Various	\$100,000	Upgrade/repair building controls	Woodland/Claremont	\$135,000
Repave Parking Lot	Canterbury St	\$50,000	Fat, Oil, Grease Receptors - replacement	Sullivan Middle	\$91,000
Replace Lead & Copper Fixtures	Various Schools	\$30,000	Upgrade/repair building controls	Norrback Ave	\$87,500
Total 2017-2018 Projects		\$2,000,000	Underground Storage Tank Removal	Worcester Arts	\$75,000
			Underground Storage Tank Removal	New Citizens Center	\$75,000
2018-2019 Projects			Underground Storage Tank Removal	Union Hill	\$75,000
Window Replacement	Mill Swan Head Start	\$1,500,000	Fat, Oil, Grease Receptors - replacement	Canterbury St	\$62,000
Repair Parking Lots	Various	\$200,000	Upgrade/repair building controls	Chandler Elem	\$60,000
Replace Fire Alarm System	Worcester East Middle	\$200,000	Upgrade/repair building controls	Burncoat Middle	\$40,000
Replace Fire Alarm System	West Tatnuck	\$100,000	Upgrade/repair building controls	Columbus Park	\$40,000
Total 2018-2019 Projects		\$2,000,000	Upgrade/repair building controls	McGrath Elem	\$40,000
			Chiller Repair	North High	\$30,000
2019-2020 Projects			Fat, Oil, Grease Receptors - replacement	Vernon Hill	\$29,000
Window Replacement	Greendale Head Start	\$1,250,000	Replace rooftop insulation on ductwork	Forest Grove Middle	\$25,000
Replace Boilers	Greendale Head Start	\$500,000	Replace rooftop insulation on ductwork	Sullivan Middle	\$25,000
Replace Boilers	Mill Swan Head Start	\$275,000	Repair hot water coils in 3 classrooms	North High	\$20,000
Wall Repair/Replace	Lake View	\$200,000	Repave Parking Lot	Worcester Arts	\$150,000
Wall Repair/Replace	Tatnuck Magnet	\$100,000	Combustion air hot water coil in boiler room	Technical High	\$7,500
Total 2019-2020		\$2,325,000	Total 2021-2022 Projects		\$1,767,000
			Five Year Renovation Total		\$10,092,000

STANDING COMMITTEE: **FINANCE AND OPERATIONS**

DATE OF MEETING: Tuesday, May 23, 2017

ITEM: Administration/Mayor Petty/Mr. Foley/Mr. O'Connell/Ms. Colorio/
Miss Biancheria/Mr. Monfredo/Miss McCullough (March 6, 2017)

Request that the Superintendent consider the feasibility of establishing boys and girls soccer teams at Claremont Academy and University Park Campus School.

PRIOR ACTION:

3-2-17 - Held.

3-16-17 - Referred to the Standing Committee on Finance and Operations. It was moved and voice voted to suspend rules to allow Peter Weyler, a teacher at Claremont Academy to speak in support of establishing boys and girls soccer teams at Claremont Academy and University Park Campus School.

BACKUP:

The cost of establishing boys and girls soccer teams at Claremont Academy and University Park Campus School has been included in the FY18 budget. Therefore, the Administration recommends that the item be filed.

ITEM: gb #7-122

STANDING COMMITTEE: **FINANCE AND OPERATIONS**

DATE OF MEETING: Tuesday, May 23, 2017

ITEM: Administration (March 20, 2017)

To review the reports on compliance and internal controls for the City of Worcester, including the Worcester Public Schools, from the Certified Public Accounting firm of CliftonLarsenAllen, LLP for the year ended June 30, 2016 which include the GAO and OMB A-133 Reports and the Management Letter and the Independent Accountants' Report on Applying Agreed Upon Procedures for the Department of Elementary and Secondary Education End of Year Financial Report for fiscal year 2016, prepared by Robert C. Alario, CPA, P.C.

PRIOR ACTION:

4-6-17 - Referred to the Standing Committee on Finance and Operations.

BACKUP:

Annex A (12 pages) contains a copy of the City of Worcester School Department Independent Accountants' Report on Applying Agreed-upon Procedures for the year ended June 30, 2016.

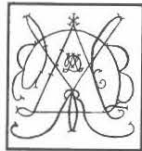
CITY OF WORCESTER SCHOOL DEPARTMENT
INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2016

CITY OF WORCESTER SCHOOL DEPARTMENT

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES	1
 <u>SPECIAL REPORT:</u>	
INTRODUCTION AND BACKGROUND	2
ACCOUNTING SYSTEM SUMMARY	2
SCOPE AND OBJECTIVES	3 - 4
GENERAL COMPLIANCE REQUIREMENTS	4
SUMMARY OF PROCEDURES AND FINDINGS	4 -10

ANTHONY J. ALARIO 1941-1989
ROBERT C. ALARIO, CPA/ MBA/ CSEP
KAREN J. SPINELLI, CPA/ V.P.
PATRICIA L. JONES, CPA
NANCY F. WASHINGTON, CPA



Robert C. Alario

Certified Public Accountants, PC

75 North Main Street, Leominster, MA 01453
292 Park Avenue, Worcester, MA 01609
270 Ayer Road, Harvard, MA 01451

www.robentalario.com

TELEPHONE
978-534-1999
508-755-7575
978-772-0066

FAX
978-534-0499
508-755-7599
978-772-3462

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Superintendent of Schools
City of Worcester
Worcester, MA

We have performed the procedures enumerated in the accompanying Summary of Procedures and Findings section of the Special Report that follows and is incorporated by reference herein. The procedures, which were agreed to by the City of Worcester School Department (the District), solely to assist you in evaluating if the District completely and thoroughly prepared and filed the Department of Secondary and Elementary Education annual End of Year Pupil and Financial Report for the year ended June 30, 2016. The City of Worcester's (the City) management is responsible for their accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the accompanying Summary of Procedures and Findings section that follows either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on any of the account totals included in the District's annual report or any other records of the City that may be referenced in our procedures. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the City of Worcester School Department and governmental users of the End of Year Report, and is not intended to be and should not be used by anyone other than these specified parties.

Robert C. Alario, Certified Public Accountants, P.C.

Worcester, MA
February 9, 2017

**CITY OF WORCESTER SCHOOL DEPARTMENT
SPECIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016**

INTRODUCTION AND BACKGROUND

In accordance with a contract with the City of Worcester School Department (the District), Robert C. Alario CPA, P.C. has performed the procedures enumerated in the Summary of Procedures and Findings section, which follows, with respect to the District's compliance with the Massachusetts Department of Elementary and Secondary Education (DESE) End of Year Pupil and Financial Report (EOYR). Public school districts in Massachusetts are required to report financial and non-financial data annually to the DESE in the EOYR, in accordance with DESE Regulations on School Finance and Accountability (603 CMR 10.00). We have performed the procedures detailed in DESE's *Compliance Supplement for Massachusetts School Districts Agreed Upon Engagements: (Updated December 2015)*, which was issued in accordance with 603 CMR 10.00, in order to determine fiscal compliance with the DESE and filing of the EOYR. The procedures performed and the associated findings are described in the section which follows.

Our field work was conducted at the District's administrative offices located on Irving Street in Worcester, Massachusetts. Our contacts at the District were Brian E. Allen, Chief Financial Officer, Sara Consalvo, Budget Director, and Mohammed Siddiqui, Senior Financial Analyst.

The City of Worcester (the City) has a population of approximately 185,000. During the 2015-2016 school year, the Worcester Public Schools had approximately 25,000 full-time equivalent pupils, including approximately 11,200 elementary, 6,800 middle school and 7,000 senior high. The school department's general fund budget for fiscal 2015-2016 was \$318,291,992. Instructional staff includes approximately 1,800 full time teachers.

ACCOUNTING SYSTEM SUMMARY

End of Year Report information comes primarily from Excel based worksheets prepared by the budget office of the City of Worcester School Department. These worksheets translate information received from the City's Pentamation accounting system into the format required for state reporting. Separate worksheets exist for each of the various DESE functions reported on the EOYR. This is needed because of significant differences in the City's chart of accounts and DESE's reporting requirements.

Typically each amount reported on the EOYR for a given function is a combination of accounts from the City's system. In some cases, numerous accounts from the City's system had to be combined to determine the amount reported for a single DESE function.

DESE programs, within each function, were determined either by assignment of directly related costs, allocation of costs, or otherwise distributed costs, depending on the nature of the function, as explained in the detailed procedures that follow. The City's Pentamation system is maintained by the City Auditor's office. The District submits documentation supporting its expenditures to the City Auditor's office, which in turn reviews the information and posts transactions to the system. District personnel have the ability to query the system to generate basic reports, but do not post transactions.

**CITY OF WORCESTER SCHOOL DEPARTMENT
SPECIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016**

SCOPE AND OBJECTIVES

The scope of the agreed-upon procedures was to determine whether:

- Financial data reported on all EOYR schedules are traceable to the detail contained in the municipal or district accounting ledgers or records or to a documented methodology.
- Non-financial data reported on all EOYR schedules are traceable to the district's records or to a documented methodology.
- There are documented methodologies supporting the financial and other reported information contained in these schedules, whether these methodologies were followed, and whether the methodologies are reasonable.
- Internal controls exist to provide reasonable assurance that the revenues, expenditures and other data are accounted for consistent with Department regulations and guidelines.

The objective of the agreed-upon procedures was to review the City of Worcester School Department's records to determine whether required reports for Massachusetts School Districts include all activity of the reporting period, are supported by applicable accounting records, and are fairly presented in accordance with State requirements.

For all EOYR schedules containing information we:

- Ascertained if the financial information was prepared in accordance with the budgetary basis of accounting.
- Verified that amounts reported to accounting and other records that support the audited financial statements and verified agreement or performed alternative procedures to verify the accuracy and completeness of the reports and that they agree with the accounting records.
- Verified that the non-financial data agreed to the supporting records that accumulate and summarize the data.
- Performed tests of the underlying data to verify that the data was accumulated and summarized in accordance with the required or stated criteria and methodology, including the accuracy and completeness of the schedules. For Schedule 7, tested eligibility criteria for reimbursable riders.
- When intervening computations or calculations were required between the records and the schedules, traced reported data elements to supporting worksheets or other documentation that linked the schedules to the data.
- Determined if the District used an accounting system that provides for the reporting of all instructional costs by school location.

**CITY OF WORCESTER SCHOOL DEPARTMENT
SPECIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016**

SCOPE AND OBJECTIVES (Continued)

- Determined if the accounting system was supported by up-to-date written policies and procedures and that the policies and procedures were followed on a uniform and consistent basis.
- Determined if the district maintained written policies and procedures related to the classification of salaries and expenses by program, function and object and that the policies and procedures were followed on a uniform and consistent basis.
- Obtained a written representation from management that the reports provided to us were true copies of the EOYR submitted or electronically transmitted to the Department of Elementary and Secondary Education.

GENERAL COMPLIANCE REQUIREMENTS

Districts must use the standard financial reporting schedules contained in the End of Year Report. These schedules include financial and non-financial data. The financial information must be traceable to the accounting ledgers of the district or of the municipality or to a documented methodology. If a "crosswalk" exists between the municipal and district ledgers, this crosswalk should be documented. The non-financial information must be traceable to records or to a documented methodology that demonstrates the information was compiled from existing records. Each district must report income on the modified accrual basis and expenditures on the modified accrual plus encumbrance basis.

Each district must use an accounting system that provides for the reporting of all instructional costs by school location and is supported by up to date written policies and procedures. The policies and procedures are to be followed on a uniform and consistent basis.

Finding: The City has uniform and consistent procedures in place surrounding their accounting system; however, they are not always formally written or documented as up-to-date.

SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 1

Procedure 1:

We traced revenue from Local Sources reported on Schedule 1 to the City's accounting ledgers and the District's records. We also traced the revenue reported on the District's records to revenue reported on Schedule 1.

Finding 1:

Amounts reported on Schedule 1, block A, appear to be supported by the City's accounting ledgers, Pentamation reports and the District's records.

Procedure 2:

We traced the revenue from state aid, federal grants, state grants, and revolving and special funds to the detail in the District's records. We also traced the revenue reported on the District's records to revenue reported on Schedule 1.

**CITY OF WORCESTER SCHOOL DEPARTMENT
SPECIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016**

SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 1 (Continued)

Finding 2:

Revenue amounts reported for state aid, federal grants, state grants, and revolving and special funds appear to agree to the detail in the District's records with the exception of EOYR line 140, State Aid Transportation revenue and EOYR Line 170, State Aid Charter Tuition Reimbursements. The balances on the EOYR are prepopulated and do not agree to the City's accounting ledgers.

Procedure 3:

We traced the amounts reported for general fund education expenditures from Schedule 1 line 1850 to the municipal accounting ledgers and to the District accounting ledgers. We also traced the expenditures reported on the District's records to expenditures reported on Schedule 1.

Finding 3:

General fund education expenditure totals as reported on Schedule 1 line 1850 were supported by the District's records.

Procedure 4:

We traced the amounts reported for a sample of DESE functions, State Objects, and DESE programs in Schedule 1 to the detail in the accounting ledgers, or to the crosswalk, if applicable.

Finding 4:

The amounts reported on the EOYR that were selected for testing were supported by the District's records and the City's accounting ledgers. The DESE functions that were sampled were also traced to District account details.

Procedure 5:

We tested Extraordinary Maintenance expenditures for the following: Verify that expenditures did not include salaries; verify that the expenditures included applicable principal portions of a loan or the cost of a lease/purchase agreement; verify that expenditures classified as Extraordinary Maintenance (4300) did not exceed the per project dollar limit for extraordinary maintenance (\$150,000); and trace the expenditures to the detail in the accounting ledgers.

Finding 5:

Extraordinary maintenance expenditures (4300) as reported by the Worcester Public Schools appear to be in compliance with DESE requirements.

Procedure 6:

We determined how expenditures for fringe benefits were assigned or allocated to Schedule 1 Employee Benefits and Insurance (5100, 5200). We traced the reported cost to the detail in the District's records using the methodology indicated. We determined if the District reported Insurance for Retired Employees (5260) separately and appropriately.

**CITY OF WORCESTER SCHOOL DEPARTMENT
SPECIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016**

SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 1 (Continued)

Finding 6:

It appears that the District is properly reporting the fringe benefits and properly segregating those benefits paid to retired employees per the compliance requirements.

Procedure 7:

We verified that expenditures charged to Lines 1683 and 2060 – Short-term Interest (5400) related exclusively to Revenue Anticipation Notes (RAN's).

Finding 7:

The EOYR does not include any amounts for debt services charged to Line(s) 1683 and 2060 - Short-term Interest (5400) relate exclusively to Revenue Anticipation Notes (RAN's).

Procedure 8:

We verified that expenditures charged to Lines 1684 and 2065 – Short-term Interest – BAN's (5450) related exclusively to Bond Anticipation Notes (BAN's).

Finding 8:

The EOYR does not include any amounts on Line 1684 - Short-term Interest – BAN's (5450). Expenditures charged to Line 2065 – Short-term Interest – BAN's (5450) as reported by the Worcester Public Schools relate exclusively to Bond Anticipation Notes (BAN's).

Procedure 9:

We identified expenditures reported as long-term School Construction debt for principal (8100) and interest (8200) and verified that bond anticipation notes were not included in these functions. We traced the reported costs to the Treasurer's debt schedule. We traced the reported amount to the detail in the accounting ledgers. Note: If the District received a lump sum wait list or progress payment from Massachusetts School Building Authority, we verified that the revenue was reported on line 130 and that expenses were reported for pay down of principal (8100), or Purchase of Land and Buildings (7100, 7200), if applicable.

Finding 9:

The EOYR expenditures reported as long-term School Construction debt for principal (8100) and interest (8200), and Massachusetts School Building Authority contract revenue and related expenses agreed to the City's accounting ledgers, were supported by the District's records and appear to be in compliance with DESE requirements.

Procedure 10:

We traced the expenditures for tuition payments: to other school districts in state (9100), to out of state schools (9200), to non-public schools (9300), to member collaboratives (9400), and assessments to member regional school districts (9500), to the detail in the accounting ledgers.

Finding 10:

Reported expenditures for tuition payments tested agreed to the City's accounting ledgers and were supported by the District's records. We also verified that the District did not have any prepaid tuition.

**CITY OF WORCESTER SCHOOL DEPARTMENT
SPECIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016**

SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 1 (Continued)

Procedure 11:

For municipal expenditures that resulted in services directly related to the school committee we obtained a copy of a written agreement between the School Committee and Municipal officials documenting agreed upon methodologies to be used when allocating, distributing or assigning Municipal expenditures to the District. We tested the amounts reported using the documented methodology.

Finding 11:

Methodology was reviewed during the testing of Schedules 1 and 19. It appears that the City has properly allocated municipal expenditures in accordance with the agreement between the School Committee and Municipal officials.

Procedure 12:

We traced the expenditures from Federal Grants, State Grants and Special Funds and determined amounts reported in column 1 by expenditure classification agreed with filed Final Grant Expenditure reports and traced amounts claimed as Circuit Breaker expenses on line 3080, column 6 to the accounting ledgers or journals.

Finding 12:

The compliance supplement calls for reviewing column 1, however the EOYR uses columns 2 through 5. We were able to agree the amounts reported on line 3080, column 2 through 5, to the City's accounting records and District records, as well as the Final Grant Expenditure Report. Circuit Breaker expenses on line 3080, column 6 agreed to the City's accounting ledgers and District records.

SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 3

Procedure 13:

We traced the amounts reported by school location on the linked file to the accounting ledgers. We determined if the District maintained a payroll system or spreadsheet to document the assignment of staff salaries by school location. We determined the allocation was supported by a documented methodology. We determined the District maintained a documented methodology for consistency in application and the allocations are acceptable.

Finding 13:

The expenditures reported on Schedule 3 agree to the DESE functions detailed on Schedule 1 for all items tested and the expenditures agreed to the City's accounting ledgers and were supported by the District's account details. The District maintains a payroll system that breaks items down by pay code and assigns the staff salaries by school location.

Supervisory Costs:

These assignments are based on the duties performed per position and payroll reports. Other expenditures represent assignment of direct costs for special education consultants. The stated methodologies appeared to be applied appropriately and consistently.

**CITY OF WORCESTER SCHOOL DEPARTMENT
SPECIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016**

SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 3 (Continued)

Teaching Costs:

These costs are determined by teachers' individual disciplines within the school, which is most often determined by their area of certification. This information is obtained from bi-weekly payroll reports which have cost center codes for both teaching level and discipline. Other expenditures represent direct costs to teaching as reported by the individual schools, the District's records and the City's accounting ledgers.

Guidance and Psychological Costs:

These costs consist entirely of salary expenditures. The Special Education Director, Manager of Student Support Services/Alternative Programs and Bilingual Director work out percentages that form the basis for allocating these costs. For the year under review, the percentages were as follows:

	<u>Guidance</u>	<u>Psychological</u>
Regular	60%	60%
Special Education	40%	40%

Percentages were confirmed by recalculating selected Schedule 1 and Schedule 3 amounts. The stated methodologies appeared to be applied appropriately and consistently.

SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 4

Procedure 14:

We ascertained the methodology used to allocate, distribute or assign Special Education (SPED) costs to the placement on Schedule 4 and reviewed the propriety of the methodology. We tested the amounts reported on Schedule 4 using this methodology.

Finding 14:

Instructional services were allocated based on percentages supplied by the Special Education Director using professional judgment. Payments were allocated based on tuition expenditures furnished by the Special Education Director. Based on our tests, it appears that the allocation of Special Education costs to prototypes agreed to the percentages determined by the Special Education Director. We determined that amounts tested agreed to the City's accounting ledgers and were supported by the District records.

SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 7

Procedure 15:

We traced the transportation expenditures reported on Schedule 7 to the transportation expenditures reported on Schedule 1. We determined the methodology used to allocate transportation expenditures on Schedule 7 and verified the accuracy of the allocations.

**CITY OF WORCESTER SCHOOL DEPARTMENT
SPECIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016**

SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 7 (Continued)

Finding 15:

Transportation expenditures were allocated based on pupil headcounts. The amounts tested on Schedule 7 were supported by District records and agreed to the City's accounting ledgers. All numbers were traced to the EOYR without exception.

Procedure 16:

We traced the pupils reported on Schedule 7 to the detailed transportation records and verified that the amounts reported on Schedule 7 are accurate and consistent with the detailed records.

Finding 16:

The amounts reported on Schedule 7 agreed to the detailed transportation records and were supported by the City's accounting ledgers and the District's records.

Procedure 17:

We determined that the District's records separate costs in order to facilitate reporting as outlined in Schedule 7 (In or Out of District, Pre-School, Non-Public, School Choice and Charter School). We also determined reimbursable expenditures reported on Line 4283 (Homeless From Outside the District) and Line 4285 (Homeless To Outside the District) were supported by adequate documentation. We reviewed the propriety of the cost allocation plan and tested the expenditures reported.

Finding 17:

Based on our testing of the EOYR, we determined that the accounting system separately accounts for each of the school locations and they can be easily separated out based on the type of cost. We were able to agree the amounts reported on Lines 4283 and 4285 to the City's accounting ledgers and District's records.

SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 19

Procedure 18:

We determined if the School District has reported all changes to Schedule 19 Part A.1 – Appropriation by School Committee to the DESE. We compared the final School Committee Appropriation to Schedule 19 Part A.1 as filed/amended and determined if all changes were reported.

Finding 18:

Based on an evaluation of the final School Committee Appropriation and Schedule 19, we determined that the District reported all changes to Schedule 19, Part A.1, and that it reflects the final amended School Committee Appropriation. It appears that no further changes are necessary to Schedule 19, Part A.1.

Procedure 19:

We determined the amounts budgeted in Schedule 19 Part A.2 are consistent with methodologies outlined in the agreement noted in procedure II A.4.a (Procedure 4).

**CITY OF WORCESTER SCHOOL DEPARTMENT
SPECIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016**

SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 19 (Continued)

Finding 19:

Based on an evaluation of the final School Committee Appropriation and Schedule 19, we determined that the District reported all changes to Schedule 19, Part A.2, and that it properly reflects the final amended School Committee Appropriation.

Procedure 20:

We determined that retiree health insurance (5250) is reported separately.

Finding 20:

We were able to agree the amounts reported for retiree health insurance (5250) to the City's accounting ledgers and District records and noted that it is reported separately.